
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting Of the Board of Directors of Cornerstone Metropolitan District Nos. 1 & 2 June 24, 2019

A Joint Regular Meeting of the Boards of Directors of the Cornerstone Metropolitan District Nos. 1 & 2 Montrose and Ouray Counties, Colorado, was held at 10:00 a.m. Monday, June 24, 2019 at 700 Birdsong Lane, Montrose, Colorado, in accordance with the applicable statutes of the State of Colorado.

Attendance

The following Directors were present and acting:

- Marijo Ache - District No. 1 and No. 2
- Warren Ache - District No. 1 and No. 2
- Bill Fugazzi - District No. 1 and No. 2
- Pam Fugazzi - District No. 1 and No. 2
- Jason Stroehlein – District No. 1
- Ross Hauck – District No. 2

Also present or in attendance via phone as indicated were:

- Heather Hartung, White Bear Ankele Tanaka & Waldron - via phone
- Eric Weaver, Marchetti & Weaver, LLC – via phone
- Rick Gonzales, Marchetti & Weaver, LLC – via phone

Call to Order

The Joint Regular Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Director Fugazzi on June 24, 2019 at 10:03 a.m. noting a quorum was present for Districts Nos. 1 & 2.

Combined Meetings

The Boards of Directors of the Districts have determined to hold joint meetings of the Districts and to prepare joint minutes of action taken by the Districts in such meetings. Unless otherwise noted herein, all official action reflected in these minutes shall be deemed to be the action of both Districts. Where necessary, action taken by an individual District will be so reflected in these minutes.

Disclosure

Ms. Hartung reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Boards at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Boards. Ms. Hartung inquired into whether members of the Boards had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No additional disclosures were noted. The Boards noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts. Additionally, the

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Boards determined that the participation of the Directors present was necessary to obtain a quorum or otherwise enable the Boards to act.

Public Comment No public was in attendance.

Agenda The agenda was approved as written.

Minutes Upon motion duly made and seconded it was unanimously

RESOLVED to approve the minutes for the meeting held June 3, 2019 as subject to the addition of legal fees added to the list of expenses to be recovered in the Purchase And Sale Agreement related to 499 and 599 Maverick Lane.

Legal Matters Road Restrictions: The board discussed the need for signage related to the road restriction policy. Ms. Hartung informed the board that if the public is made aware of the policy via information posted on the District's website and in a location within the District then the District would be able to enforce the policy. Ms. Hartung also recommended notification of the policy to all residents via email notification. Director Fugazzi instructed Marchetti & Weaver ("M&W") to work with legal counsel to develop wording for the notice to the public. Director Fugazzi also instructed M&W and legal counsel to include language in the email notification asking residents to adhere to the speed limits in the community.

Purchase and Sale Agreement ("PSA") related to 499 and 599 Maverick Lane: Ms. Hartung informed the Board that she will continue to work on modifying the PSA related to 499 and 599 Maverick Lane and hopes to have an updated draft by the end of the week that she will forward to Director Fugazzi and Director Ache for one of them to sign. Ms. Hartung will then forward the signed PSA to legal counsel for the potential buyer.

Legislative update: Ms. Hartung then reviewed recent legislative changes that impact the Districts. No action was taken by the Board.

Operations Director Fugazzi informed the Board that pump station 7 was damaged by a lightning strike and that the estimated costs to repair the damage is \$8,000. Director Fugazzi also informed the Board that none of the pumping stations currently have an electric surge protector which would mitigate and or prevent the damage and the cost of a surge protector is

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approximately \$1,000. The board discussed adding surge protectors to all of the pumping stations over time starting with the higher elevation pump stations or as needed. The Board instructed Mr. Gonzales to determine if the loss at pump station 7 is covered by insurance and if it is, to submit an insurance claim. Upon motion duly made and seconded it was unanimously

RESOLVED, to authorize the replacement of the Variable Frequency Drive for Pump #2 in pump station 7 necessitated by a lightning strike and installation of a surge protector for pump station 2 at an estimated total cost of \$9,500.

Director Fugazzi informed the Board that one of the pumps in pump station 5 has stopped functioning and the cause is an inoperable Variable Frequency Drive. Upon motion duly made and seconded it was unanimously

RESOLVED, to authorize the replacement of the Variable Frequency Drive for Pump #1 in pump station 5 and installation of a surge protector at an estimated total cost of \$9,500.

Reserve Study: Mr. Weaver informed that based on the Board's preference to engage local services, he'd spoken with Dan Quigley at DOWL and that Dan has indicated DOWL can prepare a capital reserve report. DOWL will submit a proposal for the Board's consideration at a future meeting.

Other Operations-Front Gate: The Board discussed upgrading the front gate controller to a bar code reader. Director Stroehlein reported that the estimated cost of an upgrade is \$4,000. Mr. Weaver informed the Board that the cost of bar codes for other clients is about \$50 per bar code. The Board discussed who should pay for the bar codes for the community and determined to set a policy once the final cost of the bar codes is determined. Director Stroehlein will provide written proposals for replacing the front gate with an upgrade to a bar code reading system at the next meeting.

Other Operations-Front Gate Staffing: Director Stroehlein informed the Board that the front gate will soon be staffed from 8 a.m. to 8 p.m. daily

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by an employee of Cornerstone Club. Staffing will likely be only for the peak golf season.

Other Operations: Director Stroehlein also updated the Board on the current status of water and sewer operations: 1) a pump in vault 5 shorted out but is covered under warranty; 2) the new SCADA (water management software) will be installed next week; 3) the radio at the tank necessary to communicate with the irrigation program is broken and will need to be replaced. The Board took no formal action.

Other Operations-Back Gate: Director Stroehlein informed the Board that Cornerstone Acquisition Group (“CAG”) is replacing the gate and the back entrance and is installing a phone to the front gate entrance at its expense.

Other Operations-Flushing: Mr. Weaver informed the Board that Bob Aisner, Managing Member of Cornerstone Club (“Club”) doesn’t feel that Club should pay for water flushed through the waste water treatment plant (“WWTP”) to Pond 4. The Board determined that potable water pumped from the waste water treatment plan should be billed to Club on a quarterly basis at the rate dictated by the fee schedule and non-potable water that is pumped from the WWTP, as long is not related to flushing of lines, would not be charged to Club.

Financials

Accounts Receivable: Mr. Weaver presented the accounts receivable report. Mr. Weaver informed the Board that Club has engaged an accounting firm to analyze and clarify the amount billed to Club by the Cornerstone Owners Association. Mr. Gonzales informed the Board that the current report is intended to reflect balances due unrelated to the recent sales transaction with CAG.

Accounts Receivable-Water Billing: Director Fugazzi reminded the Board that the District had discontinued billing for water use, except for golf course irrigation water use, until the water system was fully functional as a potable water system which it has been now for several months. The Board discussed resuming charging for all potable water use and upon a motion duly made and seconded it was unanimously

RESOLVED, to start billing for all potable water use commencing with third quarter 2019 usage (June-September 2019).

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The Board then instructed Mr. Gonzales to include notification of the resumption of billing for potable water in the next quarterly billing for sewer.

Accounts Payable: Mr. Weaver presented the accounts payable report. Director Ache asked Mr. Weaver why the report is for bills already paid instead of bills that need to be paid. Mr. Weaver explained to the Board that payables are reported this way because it is less expensive and more time efficient for the District and the Board agreed to continue with the current practice. Upon a motion duly made and seconded it was unanimously

RESOLVED, to approve the Accounts Payable Report as presented.

Next Meeting The next regularly scheduled meeting is scheduled for 10:00AM, Monday, July 22, 2019 at 700 Birdsong Lane, the Ache residence.

Adjournment There being no further business to come before the Board and upon motion duly made and seconded it was unanimously

RESOLVED, to adjourn the meeting.

Respectfully Submitted

Rick Gonzales
Secretary to the meeting